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DEPARTMENT OF STATE

ASSISTANT SECRETARY

1854

TO : The Under Secretary

THROUGH: S/S

FROM : NEA - William M. Rountree

March 29, 1957

SUBJECT: FY 1957 Development Assistance Funds - Libya.

Discussion:

Mr. Hollister has requested a determination from you that over-riding considerations exist for continuing a procedure adopted during 1956 whereby Development Assistance funds were deposited in the Libyan American Reconstruction Commission (LARC) in a lump sum. While in Libya recently, Mr. Hollister agreed to continue the procedure in 1957 subject to a reaffirmation by the Department. He has also requested a review by ICA staff of the advisability of reverting to standard ICA procedures for FY 1958 and subsequent years.

The exception to usual procedures was made in the case of Libya in 1956 partly to gain political advantage with the Libyan Government over the Soviet Union, which had made tempting offers of aid to the Libyans, and partly because U.S. aid to Libya in previous years derived from Air Force appropriations had been released to LARC in lump-sum payments. We believed at the time that it was essential for political reasons to follow the same procedure in releasing the $5 million in Development Assistance funds for FY 1956.

It appears that the arrangement has worked well and has earned a large measure of good will. Libya has become increasingly pro-U.S. and pro-Western while her relations with the Soviet Union and Egypt have deteriorated. Furthermore, U. S. participation on the LARC board has helped to insure that U.S. contributions to that agency have been wisely spent on needed development projects. NEA believes that it is essential to continue the procedure of last year rather than indicate a lack of confidence in the Libyan Government by our insistence upon a gradual release of the funds as required for project implementation. I agree with Mr. Hollister that this lump-sum deposit should not be made without full and complete agreement with the Libyan Government as to the specific purposes for which the dollars would be used. This suggestion was made by Ambassador Tappin.

Recommendation:

NEA:AFN:GDolgin:AK

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Recommendation:

That you sign the attached memorandum to Mr. Hollister. (Tab A)

Clearances:

L/MSA - John Rehm (In draft)

U/MSA - Robert G. Barnes (In draft)

L - Hamlin Robinson (In draft)

NEA - Wade Lathram (In draft)

L - Mr. Raymond

NEA - Joseph Palmer

Attachments:

Memorandum to Mr. Hollister (Tab A).

Memorandum from Mr. Hollister with attachments (Tab B).

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INTERNATIONAL COOPERATION ADMINISTRATION
OFFICE OF THE DIRECTOR
Washington 25, D.C.

April 19, 1957

MEMORANDUM FOR: Honorable Christian A. Herter
Under Secretary of State

Subject: Fiscal Year 1957 Development Assistance to Libya

I have received your memorandum of April 5 in reply to mine of March 21 on the above subject.

Appropriate instructions will be issued to the United States Operations Mission to Libya to proceed with the obligation and expenditure of the funds involved under the procedure that was used in Fiscal Year 1956.

John B. Hollister

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Apr 1957

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TO: The Honorable
John B. Hollister, Director,
International Cooperation Administration.

SUBJECT: FY 1957 Development Assistance - Libya

I have reviewed the problem referred to in your memorandum of March 21 with regard to releasing $7 million of FY 1957 development assistance funds to the Libyan American Reconstruction Commission (LARC). I have also reviewed the memorandum of June 18, 1956 from Mr. Hoover to you and agree with its reasoning. I am convinced that a renewal to continue the present procedure would be interpreted by the Libyan Government as lack of confidence in LARC and thereby prejudice effective cooperation in that body. This could have far-reaching effects on our relations with Libya and result in a diminution of the influence we now have on the expenditure of Air Force funds channeled through that body.

The exception made in the case of Libya in 1956 appears to have proven eminently sound from a political standpoint. Libya has become increasingly pro U. S. and pro-Western while her relations with the Soviet Union and Egypt have deteriorated. Recent reports from Ambassador Tuck and Ambassador Richards bear this out. Libya continues to be strategically and politically important to the U. S. I fear that a change in the procedure adopted last year would upset our present excellent relations and would be harmful to our interests.

I agree with you, however, that it would be unwise to agree to a lump-sum deposit of this amount of funds without full and complete agreement with the Libyan Government as to the specific purposes for which the dollars would be used.

Accordingly, I urge that the procedure used in the release of 1956 funds to LARC be continued during 1957.

CHRISTIAN A. HERTER
Under Secretary

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the original

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